GROWTHPOINT PROPERTIES

# SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2017

# HIGHLIGHTS

**195.8 cents**
- 6.5% growth in dividend per share

**R5.6bn**
- 10.4% distributable income growth

**9.8%**
- growth in gross revenue

Largest South African primary listed REIT

**21st**
largest company in the FTSE/JSE top 40 index

Market capitalisation

**R70.7bn**

**8th year**
inclusion in FTSE/JSE Responsible Index


**R3.8bn**
average value of shares traded per month

**Top 5** constituent of FTSE Russell EPRA/NAREIT Emerging Index

**Investment proposition:**
- Sustainable quality of earnings
- 14-year track record of uninterrupted dividend growth
- Underpinned by high-quality physical property assets
- Diversified across international geographies and sectors
- Dynamic and proven management track record
- Best practice corporate governance
- Transparent reporting
- Level 3 BEE contributor

**4.4% vacancies**
- RSA vacancies improved from 5.7% FY16 – strong focus on tenant retention

**R122.3bn**
- Group property assets

**35.0%** LTV
- gearing levels remain conservative, increase from 33.7% FY16

# COMMENTARY

## INTRODUCTION

Growthpoint is the largest South African primary listed REIT with total group property assets valued at R122.3bn, of which 30% is situated offshore. It has a quality portfolio of 471 directly owned properties in South Africa, valued at R76.9bn, as well as two material equity-accounted investments.

Growthpoint's share of properties in these two investments is valued at R12.9bn, of which the V&A Waterfront is the largest at R8.7bn. The other equity-accounted investment is London Stock Exchange (AIM)-listed Globalworth Real Estate Investments (Globalworth) of which Growthpoint acquired a 26.9% stake during the period, with our share of properties valued at R4.2bn.

In addition Growthpoint has a 65.1% interest in Growthpoint Properties Australia (GOZ), which owns 57 properties in Australia valued at R32.5bn.

In line with Growthpoint's vision *"to be a leading international property company providing space to thrive",* the company's strategy incorporates the optimisation and streamlining of our existing portfolio, the introduction of new revenue streams via the Funds Management business and trading and development and lastly, further international diversification. The company has set a target to double the offshore contribution to distributable income over the next three to five years.

Keeping the above in mind, the company's objective is to grow and nurture a diversified portfolio of quality investment properties, providing accommodation to a wide spectrum of users and delivering sustainable income distributions and capital appreciation, optimised by effective financial structures. Effectively, net property income received by the property portfolios of South Africa (RSA) and GOZ, including interest received, the distributable income received from the equity-accounted and listed investments, less administration and operating overheads, interest on debt and normal taxation, is distributed to Growthpoint shareholders bi-annually. Growthpoint's distributions are based on sustainable income generated from rentals, trading profits and development fees capped at 15% of the gross RSA portfolio value and going forward, distributions and management fees from its Funds Management business.

Growthpoint is included in the FTSE/JSE Top 40 Index, with a market capitalisation of R70.7bn at 30 June 2017 (FY17). Over this period, on average, more than 147.8m shares traded per month (FY16: 154.6m). The monthly average value traded was R3.8bn (FY16: R3.8bn). This makes Growthpoint the most liquid and tradable way to own commercial property in South Africa.

Excluding the equity-accounted investments, the South African portfolio represents 70.3% of the property portfolio by value and 83.1% by gross lettable area (GLA), and is well diversified in the three major sectors of commercial property, being retail, office and industrial. The bulk of the value of the South African properties is situated in strong economic nodes within the major metropolitan areas. For the period under review, net asset value of the Group increased by 1.7% to 2 518 (FY16: 2 477) cents per share.

## GROWTH IN DISTRIBUTIONS

Growthpoint delivered growth in distributions per share for FY17 of 6.5% and has declared a final dividend of 100.8 cents per share for the six months ended 30 June 2017, which is 6.9% greater than the FY16 final dividend of 94.3 cents per share. This growth is in excess of the guidance given to the market in the FY16 results of between 5.0% and 6.0%.

In Rand terms, distributions increased by R528m or 10.4% and is supported by a solid performance from the South African portfolio, the V&A Waterfront, GOZ and the Healthcare Fund. Globalworth made its maiden contribution as well as the first inclusion of trading profit and development fee income.

## BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act 2008, as amended, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*. The accounting policies applied in the preparation of these summarised consolidated financial statements are consistent with those applied in the previous consolidated financial statements.

These summarised consolidated financial statements are extracted from the audited information, but are not themselves audited. The annual financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor's report does not necessarily report on all the information contained in these summarised consolidated financial statements.

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying audited consolidated financial statements, both of which are available for inspection at the company's registered office. The directors of Growthpoint Properties Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying consolidated financial statements.

Mr G Völkel (CA(SA)), Growthpoint's Financial Director, was responsible for supervising the preparation of these summarised consolidated financial statements.

## GROWTHPOINT PROPERTIES AUSTRALIA (GOZ)

The investment in GOZ has been accounted for in terms of IAS 21 *The effects of changes in foreign exchange rates*. The statement of financial position includes 100% of the assets and liabilities of GOZ, converted at the closing exchange rate at FY17 of R10.04:AUD1 (FY16: R11.04:AUD1). The statement of profit or loss and other comprehensive income also includes

# COMMENTARY CONTINUED

100% of the revenue and expenses of GOZ, which were translated at an average exchange rate of R10.26:AUD1 (FY16: R10.57:AUD1) for FY17. The resulting foreign currency translation difference is recognised in other comprehensive income. A non-controlling interest was raised for the 34.9% (FY16: 34.5%) not owned by Growthpoint.

A deferred tax liability of R2.1bn (FY16: R2.1bn) is included in the statement of financial position. This relates to capital gains tax payable in Australia if Growthpoint were to sell its investment in GOZ. Included in normal tax in the statement of profit or loss and other comprehensive income is R96m (FY16: R72m) that relates to withholding tax paid on the distributions received from GOZ.

## V&A WATERFRONT AND OTHER EQUITY-ACCOUNTED INVESTMENTS

The investments in the V&A Waterfront and the other joint ventures have been accounted for in terms of IFRS 11 *Joint arrangements*. The equity accounting method was used, whereby the Group's share of the profit or loss and other comprehensive income of these investments was accounted for.

Retail sales grew by 3% and trading density by 2%, both coming off a high base. International tourists increased by 35% year on year, albeit that spending power reduced due to a stronger rand. The V&A Waterfront hotels trade on average 63% higher in revenue per available room than the Cape Town city hotels. Included in the FY17 finance income is R524m income from the V&A Waterfront, compared to distributable income for FY16 of R479m.

## NET PROPERTY INCOME

Gross revenue increased by 9.8% for FY17 compared to FY16. The South African operations increased revenues by 6.5% compared to FY16. In Rand terms the GOZ operations increased revenues by 21.2%. The ratio of property expenses to revenue for the Group decreased to 21.0% at FY17 from 21.8% at FY16. For RSA the ratio decreased to 23.5% from 24.5% at FY16. Best practice recommendations were issued by the SA REIT Association outlining the need to provide consistent presentation and disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector. Below are the Group cost-to-income ratios, set out in terms of the three different definitions to comply with these best practice recommendations.

| | 2017 % | 2016 % |
|---|---|---|
| **Property cost-to-income ratio** | | |
| Gross | **30.42** | 31.66 |
| Net | **16.56** | 17.32 |
| Based on IFRS reported figures | **20.95** | 21.77 |
| **Operating cost-to-income ratio** | | |
| Gross | **4.15** | 3.49 |
| Net | **3.88** | 3.15 |
| Based on IFRS reported figures | **3.88** | 3.15 |
| **Total cost-to-income ratio** | | |
| Gross | **34.00** | 34.61 |
| Net | **20.66** | 20.65 |
| Based on IFRS reported figures | **24.83** | 24.93 |

## FAIR VALUE ADJUSTMENTS

The revaluation of properties in South Africa and GOZ resulted in an upward revision of R1.9bn (1.8%) to R109.4bn for investment property (including investment properties classified as held for sale). Interest-bearing borrowings and derivatives were fair valued using the swap curve at FY17, resulting in an increase of R493m in the overall liability. In addition, losses of R288m and R140m were realised on the settlement of an interest rate swap by the South African operations and GOZ respectively.

These fair value adjustments, together with the other non-distributable items such as capital items, non-cash charges, deferred taxation and the net effect of the non-controlling interest's portion of the non-distributable items, were transferred to the non-distributable reserve.

## FINANCE COSTS

Finance costs increased by 1.8% to R2 510m (FY16: R2 466m). These outflows were partially offset by the proceeds from the Distribution Re-Investment Plans (DRIPs) offered by Growthpoint. The weighted average interest rate for RSA borrowings was 9.2% (7.4% including cross currency interest rate swaps (CCIRS) and EUR debt) (FY16: 9.3%). The weighted average maturity of debt remained at 3.0 years (FY16: 3.0 years). Finance costs for GOZ increased by 18.7% from R477m in FY16 to R566m in FY17 as a result of the GPT Metro Office Fund (GMF) acquisition. The interest cover ratio, whereby the income from the equity-accounted investments and listed investments are included in the operating profit, increased to 3.5 times at FY17 (FY16: 3.3 times).

## FINANCE INCOME

Finance income increased by 0.3% to R692m (FY16: R690m). This relates mainly to the interest received on the debentures held in the V&A Waterfront and other long-term loans of R739m that have been granted.

## ACQUISITIONS AND COMMITMENTS

Growthpoint acquired three industrial properties for R188m, five office properties for R191m and three healthcare properties for R1.5bn during the period. Development and capital expenditure for RSA amounting to R2.1bn (FY16: R2.4bn) relates to various projects undertaken during the period, of which the Discovery Head Office accounted for R669m (FY16: R497m).

Growthpoint RSA has commitments in respect of developments amounting to R2.0bn (FY16: R1.7bn), of which the Exxaro Head Office (R488.6m), 144 Oxford (R647.1m), the Discovery Head Office (R399.0m) (55% share) are the most significant. Further commitments in respect of property acquisitions amount to R1.0bn which includes the acquisition of the N1 City Mall (balance of 58%) not already owned.

GOZ acquired six office properties for R5.0bn (AUD480.3m) and incurred development expenditure amounting to R473m (AUD47.0m) of which R319.0m (AUD29.5m) was in respect of office property development situated at 211 Wellington Road, Mulgrave, Victoria. GOZ has commitments of R150.5m (AUD15.0m) which includes a commitment to fund the development of 1 Charles Street, Paramatta, New South Wales.

Development and capital expenditure at the V&A Waterfront amounted to R557.6m (FY16: R420m) for the period. Growthpoint's share of the V&A Waterfront's commitments outstanding at FY17 amounted to R220.3m (FY16: R483m), which include the Battery Parkade and Dock Road Junction.

## ACQUISITION OF GLOBALWORTH

On 20 December 2016, Growthpoint RSA acquired a 26.9% stake in the London Stock Exchange (AIM)-listed Globalworth, which is classified as an associate, for a consideration of R2.7bn (€186.4m). Globalworth owns a €1bn property portfolio consisting of mostly modern A-grade offices, industrial properties, a residential property complex as well as developments. Its portfolio is concentrated in Bucharest and one in Timisoara, Romania and is underpinned by Euro denominated leases with many multinational business brands. This acquisition was funded by loans of €100.0m and the remaining portion by Rand loans with CCIRS of €86.4m at a weighted average term of 4.2 years. The Euro-based interest rates are fixed for a weighted average term of 9.9 years at a weighted average all-in cost of 2.6%. Transaction costs to date have been treated as part of the investment in the associate. A notional bargain purchase of R78.0m has been identified as a result of this investment, and is included in fair value adjustments, capital items and other charges.

The Group's share of the results in Globalworth and its aggregated assets and liabilities are shown below:

| | Rm |
|---|---|
| Total assets | 17 801 |
| Total liabilities | 7 463 |
| Bargain purchase | 78 |
| Consideration paid | 2 704 |
| Percentage held | 26.9% |

## DISPOSALS AND HELD FOR SALE ASSETS

Growthpoint RSA disposed of 17 properties in the current period (FY16: 16) for R1.8bn (FY16: R1.1bn) with a collective R401m (FY16: R220m) profit on cost achieved.

At FY17, three RSA properties (FY16: six) valued at R201.9m (FY16: R264m) and one Australian property (FY16: five) valued at R1.0bn (FY16: R1.7bn), were classified as held-for-sale assets.

## ARREARS

Total RSA arrears at FY17 amounted to R60.4m (FY16: R64.3m) with a provision for bad debts of R26.1m (FY16: R29.8m). Total RSA bad debt expenses amounted to R13.2m (FY16: R15.9m).

## VACANCY LEVELS

At FY17, the total m$^2$ of Growthpoint's portfolio and vacancy levels expressed as a percentage of GLA were:

| | GLA | | Vacancy | |
|---|---|---|---|---|
| | m$^2$ | m$^2$ | % | % |
| | FY17 | FY16 | FY17 | FY16 |
| Retail | 1 405 021 | 1 420 570 | 3.6 | 2.6 |
| Office and Healthcare | 1 750 606 | 1 799 391 | 6.8 | 7.8 |
| Industrial | 2 266 957 | 2 251 089 | 3.1 | 6.0 |
| RSA total | 5 422 584 | 5 471 050 | 4.4 | 5.7 |
| V&A Waterfront (50%) | 223 016 | 206 838 | 0.8 | 1.4 |
| GOZ | 1 053 148 | 1 109 545 | 0.7 | 0.3 |
| Total/average % | 6 698 748 | 6 787 433 | 3.7 | 4.7 |

Vacancies have decreased across the industrial and office sectors in RSA, while the retail sector had an increase in vacancies resulting primarily from tenants consolidating space. Tenant retention remains a priority and is being facilitated through various initiatives including the UNdeposit and SmartMove campaigns.

## EQUITY RAISED

During the period under review, Growthpoint issued 102.4m shares and raised R2.5bn through the DRIP programmes. The equity raised from the DRIPs was utilised to finance Growthpoint's investment activities.

## BORROWINGS AND NET WORKING CAPITAL

At FY17, the consolidated loan-to-value (LTV) ratio, measured by dividing the nominal value of interest-bearing borrowings (net of cash) by the fair value of property assets, including investment property held for sale, plus the equity-accounted investments and the listed investments, was 35.0% (FY16: 33.7%). The higher LTV ratio relates directly to the acquisition of Globalworth using debt. Growthpoint has consistently applied its policy on fair value measurement in respect of long-term interest-bearing loans and derivatives and there has been no change in valuation techniques, nor have there been any transfers between level 1, level 2 and level 3 during the period under review.

Growthpoint has unutilised committed bank facilities in RSA amounting to R4.5bn and in Australia R1.7bn (AUD167.0m) at FY17 which provides assurance that it will be able to meet its short-term commitments which exceeded current assets by R2.0bn at FY17 (FY16: R1.4bn).

## CHANGE IN DIRECTORATE

There has been no changes in directorate during the period under review.

## EVENTS AFTER THE REPORTING PERIOD

### Assets held for sale

On 7 July 2017, GOZ transacted and settled Sandgate Road, Nundah, QLD, at a sale price of AUD106.2m with the net proceeds used to pay down existing debt.

### Purchase of stake in Industria REIT (IDR)

On 11 July 2017, GOZ acquired a 18.2% interest in IDR for approximately AUD68.1m, representing AUD2.30 per IDR security. The acquisition was funded from undrawn debt facilities.

# COMMENTARY CONTINUED

### Acquisition of industrial portfolio

On 13 July 2017, GOZ announced that it has exchanged contracts for the acquisition of four adjoining, modern industrial warehouses at Lot 11 and Lot 1, Part Lot 9, Tarlton Crescent and Lot 6 and Lot 7, Hugh Edwards Drive, Perth Airport, WA for AUD46.0m, providing an initial passing yield of 8.13%. The acquisition will be initially funded from debt available under existing undrawn facilities.

### Declaration of dividend after reporting period

In line with IAS 10 *Events after reporting period*, the declaration of the dividend occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

## PROSPECTS

The economic growth prospects for South Africa are insufficient to repair the lacklustre demand and weak property fundamentals, which are expected to continue. The quality and diversity of the underlying South African property portfolio and our strong corporate customer base, together with our investment in the prestigious V&A Waterfront, will continue to ensure sustainable, quality earnings domestically. In addition, Growthpoint's increased internationalisation has added further geographic exposure to our portfolio. The contribution to distributable income from GOZ is expected to increase in line with guidance provided by GOZ, albeit that the effective dividend withholding tax percentage, is anticipated to be higher. Globalworth is expected to perform well given the robust Romanian economy coupled with demand from global corporates for quality office space. Given the above, the Growthpoint Board is of the view that the dividend growth for FY18 will be similar to that achieved for FY17.

## FINAL DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR GROWTHPOINT SHARES

Notice is hereby given of the declaration of the final dividend number 63 of 100.80000 cents per share for the period ended 30 June 2017. Shareholders will be entitled to elect to re-invest the net cash dividend, in return for Growthpoint shares (share alternative), failing which they will receive the net cash dividend in respect of all or part of their shareholdings. The entitlement of shareholders to elect to participate in the share re-investment alternative is subject to the Board, either itself or through a Board subcommittee appointed to set the pricing and terms of the share re-investment alternative, having the discretion to withdraw the entitlement to elect the share re-investment alternative should market conditions warrant such action. A withdrawal of the entitlement to elect the share re-investment alternative would be communicated to shareholders before the publication of the finalisation announcement on Monday, 11 September 2017.

Other information:

- issued shares at 30 June 2017: 2 888 462 582 ordinary shares of no par value.
- Income Tax Reference Number of Growthpoint: 9375/077/71/7.
- In accordance with Growthpoint's status as a Real Estate Investment Trust (REIT) with effect from 1 July 2013, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No 58 of 1962 (Income Tax Act). The dividends on the shares will be deemed to be taxable dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

### Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because they are dividends distributed by a REIT. These dividends are, however, exempt from dividend withholding tax (dividend tax) in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the Central Securities Depository Participant (CSDP) or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares, a DTD (EX) (dividend tax: declaration and undertaking to be made by the beneficial owner of a share) form to prove their status as South African residents. If resident shareholders have not submitted the above mentioned documentation to confirm their status as South African residents, they are advised to contact their CSDP or broker, as the case may be, to arrange for the documents to be submitted prior to the payment of the dividend.

### Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption section 10(1)(k) of the Income Tax Act. Any dividend received by a non-resident from a REIT is subject to dividend tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the non-resident shareholder. Assuming dividend tax will be withheld at a rate of 15%, the net amount due to non-resident shareholders is 80.61000 cents per share. A reduced dividend withholding tax rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- a written undertaking to inform the CSDP broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner of the South African Revenue Service.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the company, as the case may be, to arrange for the aforementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Summary of the salient dates relating to the cash dividend and share alternative are as follows:

| Salient dates and times | 2017 |
|---|---|
| Circular and form of election posted to shareholders | Friday, 1 September |
| Last date for Growthpoint to withdraw the entitlement for shareholders to elect to participate in the share re-investment alternative before the publication of the announcement of the share alternative issue price and finalisation information on SENS | Monday, 11 September |
| Announcement of share re-investment alternative issue price and finalisation information published on SENS | Tuesday, 12 September |
| Last day to trade (LDT) cum dividend | Tuesday, 19 September |
| Shares to trade ex dividend | Wednesday, 20 September |
| Listing of maximum possible number of share alternative shares commences on the JSE | Friday, 22 September |
| Last day to elect to receive the share alternative (no late forms of election will be accepted) at 12:00 (South African time) | Friday, 22 September |
| Record date | Friday, 22 September |
| Announcement of results of cash dividend and share re-investment alternative published on SENS | Tuesday, 26 September |
| Cheques posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the cash alternative on | Tuesday, 26 September |
| Share certificates posted to certificated shareholders and accounts credited by CSDP or broker to dematerialised shareholders electing the share re-investment alternative on | Thursday, 28 September |
| Adjustment to the maximum number of shares listed on or about | Friday, 29 September |

**Notes:**

1. Shareholders electing the share re-investment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 20 September 2017 and the close of trade on Friday, 22 September 2017.

By order of the Board

**GROWTHPOINT PROPERTIES LIMITED**
29 August 2017

**DIRECTORS**
JF Marais (Chairman), LN Sasse* (Chief Executive Officer), EK de Klerk* (Managing Director), G Völkel* (Financial Director), MG Diliza, PH Fechter, LA Finlay, JC Hayward, HS Herman, SP Mngconkola, R Moonsamy, NBP Nkabinde, FJ Visser
** Executive*

**GROWTHPOINT PROPERTIES LIMITED**
(Incorporated in the Republic of South Africa)
(Registration number 1987/004988/06)
A Real Estate Investment Trust, listed on the JSE
Share code: GRT ISIN: ZAE000179420

**REGISTERED OFFICE**
The Place, 1 Sandton Drive, Sandton, 2196
PO Box 78949, Sandton, 2146

**TRANSFER SECRETARY**
Computershare Investor Services (Pty) Ltd
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

**COMPANY SECRETARY**
RA Krabbenhöft

**SPONSOR**
Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive, Sandown, Sandton, 2196
PO Box 785700, Sandton, 2146

30 August 2017

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

| | Notes | 2017 Rm | 2016 Rm |
|---|---|---|---|
| Revenue, excluding straight-line lease income adjustment | | 10 716 | 9 764 |
| Straight-line lease income adjustment | | 39 | 455 |
| Total revenue | | 10 755 | 10 219 |
| Property-related expenses | | (2 245) | (2 126) |
| Net property income | | 8 510 | 8 093 |
| Other administrative and operating overheads | | (416) | (308) |
| Operating profit | | 8 094 | 7 785 |
| Equity-accounted investment profit – net of tax | | 369 | 543 |
| Fair value adjustments, capital items and other charges | | 1 850 | 256 |
| Finance and other investment income | 1 | 692 | 690 |
| Finance expense | | (2 510) | (2 466) |
| **Profit before taxation** | | 8 495 | 6 808 |
| Taxation | | (48) | (841) |
| **Profit for the year** | | 8 447 | 5 967 |
| Other comprehensive income | | | |
| Items that may subsequently be reclassified to profit or loss | | | |
| Translation of foreign operations | | (1 571) | 2 282 |
| **Total comprehensive income for the year** | | 6 876 | 8 249 |
| Profit attributable to: | | 8 447 | 5 967 |
| Owners of the company | | 7 524 | 5 159 |
| Non-controlling interests | | 923 | 808 |
| Total comprehensive income attributable to: | | 6 876 | 8 249 |
| Owners of the company | | 6 507 | 6 653 |
| Non-controlling interests | | 369 | 1 596 |

| | Notes | Cents | Cents |
|---|---|---|---|
| Basic earnings per share | | 267.72 | 190.29 |
| Diluted earnings per share | | 266.21 | 189.53 |
| Headline earnings per share | 3 | 179.66 | 140.57 |
| Diluted headline earnings per share | 3 | 178.64 | 140.01 |

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | 2017 Rm | 2016 Rm |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 613 | 901 |
| Trade and other receivables | 3 214 | 2 496 |
| Investment property classified as held for sale | 1 241 | 1 938 |
| Derivative assets | 356 | 107 |
| Listed investments | 226 | 440 |
| Fair value of property assets | 108 201 | 102 752 |
| Fair value of investment property for accounting purposes | 105 641 | 100 274 |
| Straight-line lease income adjustment | 2 560 | 2 478 |
| Long-term loans granted | 709 | 605 |
| Equity-accounted investments | 9 920 | 6 821 |
| Equipment | 15 | 6 |
| Intangible assets | 2 362 | 2 461 |
| **Total assets** | 126 857 | 118 527 |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities** | | |
| Trade and other payables | 2 572 | 2 276 |
| Derivative liabilities | 587 | 1 094 |
| Taxation payable | 44 | 29 |
| Interest-bearing borrowings | 42 568 | 38 580 |
| Deferred tax liability | 2 332 | 2 382 |
| **Total liabilities** | 48 103 | 44 361 |
| Shareholders' interest | 72 045 | 68 295 |
| Share capital | 44 876 | 42 329 |
| Retained income | 2 886 | 2 628 |
| Other reserves | 24 283 | 23 338 |
| Non-controlling interest | 6 709 | 5 871 |
| **Total liabilities and equity** | 126 857 | 118 527 |

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

| | Share capital net of treasury shares Rm | Non-distributable reserves (NDR) Foreign currency translation reserve (FCTR) Rm | Amortisation of intangible assets Rm | Bargain purchase Rm | Fair value adjustment on investment property Rm | Other fair value adjustments and non-distributable items Rm |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2015** | 40 486 | 1 072 | 935 | 230 | 21 341 | (2 077) |
| **Total comprehensive income:** | | | | | | |
| – Profit after taxation | – | – | – | – | – | – |
| – Other comprehensive income | – | 1 494 | – | – | – | – |
| **Transactions with owners recognised directly in equity:** | | | | | | |
| **Contributions by and distributions to owners:** | | | | | | |
| Shares issued | 1 797 | – | – | – | – | – |
| Transfer non-distributable items to NDR | – | – | (72) | 6 | 833 | (678) |
| Share-based payment transactions | 46 | – | – | – | – | – |
| Transfer to NDR with NCI | – | – | – | – | – | – |
| Dividends declared | – | – | – | – | – | – |
| **Changes in ownership interest:** | | | | | | |
| Rights issue and acquisitions – GOZ | – | 36 | – | – | – | – |
| Acquisitions of NCI without a change in control | – | – | – | – | – | – |
| **Balance at 30 June 2016** | 42 329 | 2 602 | 863 | 236 | 22 174 | (2 755) |
| **Total comprehensive income:** | | | | | | |
| – Profit after taxation | – | – | – | – | – | – |
| – Other comprehensive income | – | (1 017) | – | – | – | – |
| **Transactions with owners recognised directly in equity:** | | | | | | |
| **Contributions by and distributions to owners:** | | | | | | |
| Shares issued | 2 533 | – | – | – | – | – |
| Transfer non-distributable items to NDR | – | – | (71) | 78 | 1 855 | 326 |
| Share-based payment transactions | 14 | – | – | – | – | – |
| Dividends declared | – | – | – | – | – | – |
| **Changes in ownership interest:** | | | | | | |
| Rights issue and acquisitions – GOZ | – | (13) | – | – | – | – |
| **Balance at 30 June 2017** | 44 876 | 1 572 | 792 | 314 | 24 029 | (2 429) |

Dividend per share

| Non-distributable reserves (NDR) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Share-based payments reserve Rm | Reserves with NCI Rm | Fair value adjustment on listed investments Rm | Total non-distributable reserves Rm | Retained earnings (RE) Rm | Shareholders' interest Rm | Non-controlling interest (NCI) Rm | Total equity Rm |
| 160 | 13 | 2 | 21 676 | 1 207 | 63 369 | 4 713 | 68 082 |
| – | – | – | – | 5 159 | 5 159 | 808 | 5 967 |
| – | – | – | 1 494 | – | 1 494 | 788 | 2 282 |
| – | – | – | – | – | 1 797 | – | 1 797 |
| 3 | – | 58 | 150 | (150) | – | – | – |
| 7 | – | – | 7 | – | 53 | – | 53 |
| – | (25) | – | (25) | 25 | – | – | – |
| – | – | – | – | (3 613) | (3 613) | (439) | (4 052) |
| – | – | – | 36 | – | 36 | 66 | 102 |
| – | – | – | – | – | – | (65) | (65) |
| 170 | (12) | 60 | 23 338 | 2 628 | 68 295 | 5 871 | 74 166 |
| – | – | – | – | 7 524 | 7 524 | 923 | 8 447 |
| – | – | – | (1 017) | – | (1 017) | (554) | (1 571) |
| – | – | – | – | – | 2 533 | – | 2 533 |
| 28 | – | (214) | 2 002 | (2 002) | – | – | – |
| (27) | – | – | (27) | – | (13) | – | (13) |
| – | – | – | – | (5 264) | (5 264) | (502) | (5 766) |
| – | – | – | (13) | – | (13) | 971 | 958 |
| 171 | (12) | (154) | 24 283 | 2 886 | 72 045 | 6 709 | 78 754 |

| 2017 Cents | 2016 Cents |
|---|---|
| 195.8 | 183.8 |

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

| | 2017 Rm | 2016 Rm |
|---|---|---|
| Cash generated from operations | 7 580 | 7 322 |
| Interest paid | (2 438) | (2 538) |
| Interest received | 105 | 51 |
| Taxation paid | (84) | (78) |
| Distribution to shareholders | (5 766) | (4 073) |
| Net cash from operating activities | (603) | 684 |
| Net cash from investing activities | (8 637) | (5 266) |
| Net cash from financing activities | 8 993 | 4 923 |
| Effect of exchange rate changes on cash and cash equivalents | (41) | 55 |
| Movement in cash and cash equivalents | (288) | 396 |
| Cash and cash equivalents at beginning of year | 901 | 505 |
| Cash and cash equivalents at end of year | 613 | 901 |

# SEGMENTAL ANALYSIS

For the year ended 30 June 2017

## SEGMENT ANALYSIS

The Group determines and presents operating segments based on the information that is provided internally to the Executive Management Committee (Exco), the Group's operating decision-making forum. The Group comprises six segments, namely Retail, Office, Industrial, Growthpoint Australia, V&A Waterfront and Globalworth. An operating segment's operating results are reviewed regularly by Exco to assess its performance and to make decisions about resources to be allocated to the segment for which separate financial information is available.

| Segment | Brief description of segment |
|---|---|
| **Retail** | The Growthpoint retail portfolio consists of 56 properties, comprising shopping centres with the balance being vacant land or standalone single-tenanted properties. It includes regional, community, neighbourhood, speciality and small regional shopping centres as well as retail warehouses. |
| **Office** | The Growthpoint office portfolio consists of 182 properties which includes high rise and low rise offices, office parks, office warehouses, hospitals as well as mixed use properties comprising both office and retail. |
| **Industrial** | The Growthpoint industrial portfolio consists of 233 properties which includes warehousing, industrial parks, retail warehousing, motor-related outlets, low and high grade industrial, high-tech industrial as well as mini, midi and maxi units. |
| **Growthpoint Australia** | The GOZ portfolio consists of 57 properties which includes both industrial and office properties, all situated in Australia. |
| **V&A Waterfront** | The V&A Waterfront is a 122 hectare mixed-use property development situated in and around the historic Victoria and Alfred Basin, which formed Cape Town's original harbour, with Table Mountain as its backdrop. Its properties includes retail, office, fishing and industrial, hotel and residential as well as undeveloped bulk. |
| **Globalworth** | The Globalworth portfolio consists of 18 properties which includes mostly modern A-grade office properties, industrial properties as well as a residential property complex concentrated in Bucharest and one in Timisoara, Romania. |

### Geographic segments

In addition to the main reportable segments, the group also includes a geographical analysis of net property income, excluding straight-line lease income adjustment and investment property.

The following geographic segments have been identified:

- South Africa
- Australia
- Eastern Europe
- V&A Waterfront

# SEGMENTAL ANALYSIS CONTINUED

For the year ended 30 June 2017

## Profit or loss and asset and liabilities disclosure

| | 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Retail Rm | Office Rm | Industrial Rm | Total South Africa Rm | Australia Rm | Total as reported Rm | V&A Waterfront Rm | Globalworth Rm | Total Rm |
| **Profit or loss disclosures** | | | | | | | | | |
| Revenue excluding straight-line lease adjustment | 3 099 | 3 632 | 1 348 | 8 079 | 2 637 | 10 716 | 726 | 140 | 11 582 |
| Property-related expenses | (792) | (819) | (290) | (1 901) | (344) | (2 245) | (204) | (52) | (2 501) |
| Net property income | 2 307 | 2 813 | 1 058 | 6 178 | 2 293 | 8 471 | 522 | 88 | 9 081 |
| Other administrative and operating overheads | | | | (289) | (127) | (416) | (24) | (16) | (456) |
| Equity-accounted investment profit – net of tax | | | | 369 | – | 369 | – | – | 369 |
| Fair value adjustment on investment property | 481 | 293 | 332 | 1 106 | 848 | 1 954 | 492 | 4 | 2 450 |
| Fair value adjustments (other than investment property) | | | | 35 | 4 | 39 | – | – | 39 |
| Capital items and other charges | | | | (91) | (13) | (104) | (1) | 8 | (97) |
| Finance and investment income | | | | 1 521 | (829) | 692 | 28 | 4 | 724 |
| Finance expense | | | | (1 944) | (566) | (2 510) | – | (108) | (2 618) |
| **Consolidated profit before taxation** | | | | 6 885 | 1 610 | 8 495 | 1 017 | (20) | 9 492 |
| **Assets** | | | | | | | | | |
| Cash and cash equivalents | | | | 298 | 315 | 613 | 81 | 1 139 | 1 833 |
| Trade and other receivables | | | | 2 649 | 565 | 3 214 | 73 | 46 | 3 333 |
| Investment property classified as held for sale | 173 | – | 29 | 202 | 1 039 | 1 241 | – | – | 1 241 |
| Derivative assets | | | | 356 | – | 356 | – | – | 356 |
| Listed investments | | | | 226 | – | 226 | – | – | 226 |
| Fair value of property assets | | | | | | | | | |
| Acquisitions made during the year | – | 1 758 | 116 | 1 874 | 5 047 | 6 921 | – | 192 | 7 113 |
| Balance at year end | 29 415 | 34 732 | 12 557 | 76 704 | 31 497 | 108 201 | 8 705 | 4 200 | 121 106 |
| Long-term loans granted | | | | 709 | – | 709 | – | – | 709 |
| Equity-accounted investments | | | | 9 920 | – | 9 920 | – | 8 | 9 928 |
| Equipment | | | | 3 | 12 | 15 | – | – | 15 |
| Intangible assets | | | | 2 362 | – | 2 362 | – | 52 | 2 414 |
| **Total assets** | | | | 93 429 | 33 428 | 126 857 | 8 859 | 5 445 | 141 161 |
| **Liabilities** | | | | | | | | | |
| Trade and other payables | | | | 1 829 | 743 | 2 572 | 111 | 51 | 2 734 |
| Derivative liabilities | | | | 523 | 64 | 587 | – | – | 587 |
| Taxation payable | | | | (4) | 48 | 44 | 6 | – | 50 |
| Interest-bearing borrowings | | | | 29 492 | 13 076 | 42 568 | 195 | 559 | 43 322 |
| Deferred tax liability | | | | 2 332 | – | 2 332 | – | 74 | 2 406 |
| **Total liabilities** | | | | 34 172 | 13 931 | 48 103 | 312 | 684 | 49 099 |

| 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Retail<br>Rm | Office<br>Rm | Industrial<br>Rm | Total South Africa<br>Rm | Australia<br>Rm | Total as reported<br>Rm | V&A Waterfront<br>Rm | Total<br>Rm |
| 2 953 | 3 428 | 1 208 | 7 589 | 2 175 | 9 764 | 639 | 10 403 |
| (814) | (794) | (256) | (1 864) | (262) | (2 126) | (177) | (2 303) |
| 2 139 | 2 634 | 952 | 5 725 | 1 913 | 7 638 | 462 | 8 100 |
| | | | (204) | (104) | (308) | (20) | (328) |
| | | | 543 | – | 543 | – | 543 |
| 448 | (457) | 106 | 97 | 1 115 | 1 212 | 585 | 1 797 |
| | | | (321) | (27) | (348) | – | (803) |
| | | | (151) | (2) | (153) | | (153) |
| | | | 684 | 6 | 690 | 69 | 759 |
| | | | (1 989) | (477) | (2 466) | (30) | (2 496) |
| | | | 4 384 | 2 424 | 6 808 | 1 066 | 7 874 |
| | | | 121 | 780 | 901 | 28 | 929 |
| | | | 2 008 | 488 | 2 496 | 48 | 2 544 |
| – | 145 | 119 | 264 | 1 674 | 1 938 | – | 1 938 |
| | | | 107 | – | 107 | – | 107 |
| | | | 440 | – | 440 | – | 440 |
| – | 398 | 442 | 840 | 3 410 | 4 250 | – | 4 250 |
| 29 210 | 33 112 | 11 166 | 73 488 | 29 264 | 102 752 | 7 766 | 110 518 |
| | | | 605 | – | 605 | – | 605 |
| | | | 6 821 | – | 6 821 | – | 6 821 |
| | | | 4 | 2 | 6 | – | 6 |
| | | | 2 461 | – | 2 461 | – | 2 461 |
| | | | 86 319 | 32 208 | 118 527 | 7 842 | 126 369 |
| | | | 1 837 | 439 | 2 276 | 84 | 2 360 |
| | | | 925 | 169 | 1 094 | – | 1 094 |
| | | | – | 29 | 29 | – | 29 |
| | | | 24 820 | 13 760 | 38 580 | 306 | 38 886 |
| | | | 2 382 | – | 2 382 | – | 2 382 |
| | | | 29 964 | 14 397 | 44 361 | 390 | 44 751 |

# SEGMENTAL ANALYSIS CONTINUED

For the year ended 30 June 2017

## Distributable earnings reconciliation

| | 2017 Rm | 2016 Rm |
|---|---|---|
| Revenue, excluding straight-line lease income adjustment | 10 716 | 9 764 |
| Property-related expenses | (2 245) | (2 126) |
| Other administrative and operating overheads | (416) | (308) |
| Net interest | (1 818) | (1 776) |
| Finance and other investment income | 692 | 690 |
| Interest paid | (2 510) | (2 466) |
| Profit on the sale of RSI 1 (Stor-Age) | – | 51 |
| Antecedent dividends | 45 | 31 |
| Non-controlling portion of distribution (excluding fair value adjustments) – GOZ | (502) | (439) |
| Distributable income from GOZ retained (including NCI's portion) | (165) | (79) |
| Realised foreign exchange gain/(loss) | 31 | (9) |
| Current normal taxation | (98) | (76) |
| **Distributable earnings** | 5 548 | 5 033 |

| | | 2017 | 2016 |
|---|---|---|---|
| **Distributions** | | | |
| **Total dividend** | | | |
| Distributable earnings | Rm | 5 548 | 5 033 |
| Actual number of shares in issue | | 2 860 702 595 | 2 757 563 843 |
| Distribution per share | | 195.8 | 183.8 |
| – Interim taxable dividend | Cents | 95.0 | 89.5 |
| – Final taxable dividend | Cents | 100.8 | 94.3 |

| | Number of shares 2017 | 2016 |
|---|---|---|
| **Shares issued during the year** | | |
| Issued ordinary shares at the beginning of year | 2 786 093 366 | 2 711 056 264 |
| Effect of shares issued | 102 369 216 | 75 037 102 |
| Shares in issue at end of year | 2 888 462 582 | 2 786 093 366 |
| Effect of treasury shares held | (27 759 987) | (28 529 523) |
| **Shares in issue at end of year** | 2 860 702 595 | 2 757 563 843 |

| | 2017 Cents | 2016 Cents |
|---|---|---|
| Net asset value per share | 2 518 | 2 477 |
| Tangible net asset value per share | 2 517 | 2 474 |

Net asset value per share is reconciled to tangible net asset value per share as follows:

| | Rm | Rm |
|---|---|---|
| Net asset value attributable to shareholders | 72 045 | 68 295 |
| *Less:* Net effect of business acquisitions and other intangibles | (30) | (79) |
| Intangible assets | (2 362) | (2 461) |
| Deferred tax liability | 2 332 | 2 382 |
| **Tangible net asset value** | 72 015 | 68 216 |

# NOTES

For the year ended 30 June 2017

| | 30 June 2017 Rm | 30 June 2016 Rm |
|---|---|---|
| **NOTE 1: FINANCE AND OTHER INVESTMENT INCOME** | **692** | 690 |
| Investment in joint venture – V&A Waterfront | **479** | 429 |
| V&A Waterfront development funding interest | **45** | 50 |
| Total V&A Waterfront income | **524** | 479 |
| Other finance income | **168** | 190 |
| Listed investments | **–** | 21 |

## NOTE 2: DIVIDENDS ON TREASURY SHARES

The interim dividend of R2 688m (HY16: R2 444m) included dividends on treasury shares of R26m (HY16: R13m). The net interim dividend paid by Growthpoint for accounting purposes is R2 662m (HY16: R2 431m).

The total dividend of R5 600m for FY17 (FY16: R5 072m) included dividends on treasury shares of R52m (FY16: R39m). The net total dividend declared was therefore R5 548m (FY16: R5 033m).

## NOTE 3: HEADLINE EARNINGS PER SHARE

Reconciliation between basic earnings, diluted earnings and headline earnings

| | Gross | | Total | |
|---|---|---|---|---|
| | 2017 Rm | 2016 Rm | 2017 Rm | 2016 Rm |
| Profit for the year | | | **7 524** | 5 159 |
| Bargain purchase | **1 850*** | 256 | **(78)** | (6) |
| Fair value adjustments on investment property | **1 850*** | 256 | **(2 397)** | (1 342) |
| Fair value adjustment: Net of straight-lining lease adjustment | | | **(1 993)** | (957) |
| NCI portion of fair value adjustments | | | **(404)** | (385) |
| **Headline and diluted earnings** | | | **5 049** | 3 811 |

** Both the bargain purchase and fair value adjustment on investment property are included on the "Fair value adjustments, capital items and other charges" line item on the face of the statement of profit or loss and other comprehensive income.*

## NOTE 4: FAIR VALUE DISCLOSURE

### CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

| | Held for trading Rm | Designated at fair value Rm | Loans and other receivables Rm | Outside scope of IAS 39 Rm | Total Rm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **2017** | | | | | |
| Cash and cash equivalents | – | – | **613** | – | **613** |
| Trade and other receivables | – | – | **2 426** | **788** | **3 214** |
| Derivative assets | **356** | – | – | – | **356** |
| Listed investments | – | **226** | – | – | **226** |
| Long-term loans granted | – | **709** | – | – | **709** |
| **2016** | | | | | |
| Cash and cash equivalents | – | – | 901 | – | 901 |
| Trade and other receivables | – | – | 1 812 | 684 | 2 496 |
| Derivative assets | 107 | – | – | – | 107 |
| Listed investments | – | 440 | – | – | 440 |
| Long-term loans granted | – | 605 | – | – | 605 |

# NOTES CONTINUED

For the year ended 30 June 2017

## NOTE 4: FAIR VALUE DISCLOSURE (continued)

| | Held for trading Rm | Designated at fair value Rm | Loans and other receivables Rm | Outside scope of IAS 39 Rm | Total Rm |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| **2017** | | | | | |
| Trade payables | – | – | 2 302 | 270 | 2 572 |
| Derivative liabilities | 587 | – | – | – | 587 |
| Taxation payable | – | – | – | 44 | 44 |
| Interest-bearing borrowings | – | 42 568 | – | – | 42 568 |
| Deferred tax liability | – | – | – | 2 332 | 2 332 |
| **2016** | | | | | |
| Trade payables | – | – | 2 000 | 276 | 2 276 |
| Derivative liabilities | 1 094 | – | – | – | 1 094 |
| Taxation payable | – | – | – | 29 | 29 |
| Interest-bearing borrowings | – | 38 580 | – | – | 38 580 |
| Deferred tax liability | – | – | – | 2 382 | 2 382 |

## FAIR VALUE ESTIMATION

### Fair value measurement of assets and liabilities

The below table includes only those assets and liabilities that are measured at fair value including non-recurring items measured at fair value:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Fair value Rm | Level 2 Rm | Level 3 Rm | Fair value Rm | Level 2 Rm | Level 3 Rm |
| **Assets** | | | | | | |
| **Recurring fair value measurement** | | | | | | |
| Fair value of property assets | 108 201 | – | 108 201 | 102 752 | – | 102 752 |
| Listed investments | 226 | – | 226 | 440 | – | 440 |
| Long-term loans granted | 709 | – | 709 | 605 | – | 605 |
| Derivative assets | 356 | 249 | 107 | 107 | 107 | – |
| **Non-recurring fair value measurement** | | | | | | |
| Non-current assets held for sale | 1 241 | – | 1 241 | 1 938 | – | 1 938 |
| **Total assets measured at fair value** | 110 733 | 249 | 110 484 | 105 842 | 107 | 105 735 |

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Fair value Rm | Level 2 Rm | Level 3 Rm | Fair value Rm | Level 2 Rm | Level 3 Rm |
| **Liabilities** | | | | | | |
| **Recurring fair value measurement** | | | | | | |
| Interest-bearing borrowings | 42 632 | 42 632 | – | 38 580 | 38 580 | – |
| Derivative liabilities | 587 | 556 | 31 | 1 094 | 1 094 | – |
| **Total liabilities measured at fair value** | 43 155 | 43 124 | 31 | 39 674 | 39 674 | – |

The carrying amount of assets and liabilities that are not measured at fair value reasonably approximate their fair value due to their short-term nature. These include trade and other receivables, cash and cash equivalents and trade and other payables.

### Movement in level 3 instruments

| | 2017 | | | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|
| | Property assets Rm | Listed investments Rm | Long-term loans granted Rm | Derivative assets Rm | Derivative liabilities Rm | Property assets Rm | Listed investments Rm | Long-term loans granted Rm |
| Opening balance | 104 690 | 440 | 605 | – | – | 93 574 | 380 | 1 081 |
| (Loss)/gain from fair value adjustments and translation of foreign operations | (1 086) | (214) | (25) | 107 | (31) | 5 160 | 60 | (6) |
| Accrued interest | – | – | 78 | – | – | – | – | 83 |
| Acquisitions | 9 552 | – | – | – | – | 7 085 | – | – |
| Disposals | (3 714) | – | – | – | – | (1 129) | – | – |
| Advancements | – | – | 463 | – | – | – | – | 45 |
| Settlements | – | – | (412) | – | – | – | – | (598) |
| **Closing balance** | **109 442** | **226** | **709** | **107** | **(31)** | 104 690 | 440 | 605 |

### Valuation process

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the Financial Director.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### Valuation techniques using observable inputs – level 2

Fair values classified as level 2 have been determined using models for which inputs are observable in an active market. A valuation input is considered observable if it is obtained directly, such as quoted prices, or indirectly, such as those derived from quoted prices.

### Valuation technique using significant unobservable inputs – level 3

Fair values are classified at level 3 if their determination incorporates significant inputs that are not based on observable market data.

### Valuation techniques and significant inputs

**Level 2 instruments**
***Interest-bearing borrowings***

| Description | Valuation technique | Significant observable inputs |
|---|---|---|
| Interest-bearing borrowings | Valued by discounting future cash flows using the South African swap curve plus an appropriate credit margin at the dates when the cash flows will take place. | Credit margins: 0.43% to 3.60% (FY16: 0.45% to 3.60%) |

The estimated fair value would increase/(decrease) if the credit margin were lower/(higher).

# NOTES CONTINUED

For the year ended 30 June 2017

**Level 2 instruments** (continued)

***Derivative instruments***

| Description | Valuation technique | Significant observable inputs |
|---|---|---|
| Forward exchange contracts | Valued by discounting the forward rates applied at year end to the open positions. | Interest rate swap curve |
| Interest rate swaps | Valued by discounting the future cash flows using the South African swap curve at the dates when the cash flows will take place. | Interest rate swap curve |
| Cross-currency interest rate swaps | Valued by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash flows will take place. | Interest rate swap curve |

**Level 3 instruments**

***Investment property***

In terms of the Group's accounting policy, independent valuations are obtained on a rotational basis, ensuring that every property is valued at least once every three years by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The balance of the South African portfolio is valued by Growthpoint's qualified internal valuers.

The South African properties were valued at FY17 using the discounted cash flow of future income streams method by the following valuers who are all registered valuers in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000:

| | | |
|---|---|---|
| Mills Fitchet PWV | PG Mitchell | NDip (Prop Val), MIV (SA), CIEA, professional valuer |
| Mills Fitchet KZN | T Bates | MSc, BSc Land Econ (UK), MRICS, MIV (SA), professional valuer |
| ERIS | C Everatt | BSc (Hons) Estate Management, MRICS, MIV (SA), professional valuer |
| Jones Lang LaSalle | J Karg | BSc, MRICS, MIV (SA), professional valuer |
| Rode and Associates | K Scott | BCom (Hons), professional valuer |
| PropVal Assist | C van Rooyen | NDip (Prop Val), MIV (SA), professional valuer |
| Spectrum | PL O'Connell | NDip (Prop Val), professional valuer |
| Wolffs Valuation Services (Pty) Ltd | S Wolffs | NDip (Prop Val), professional associate valuer |

The Australian properties were valued at FY17 using the discounted cash flow of future income streams method by Savills, Jones Lang LaSalle, Urbis, Knight Frank, Colliers, M3property and LMW that are all members of the Australian Property Institute and certified practising valuers.

At the reporting date, the key assumptions and unobservable inputs used by the Group in determining fair value of investment property were in the following ranges for the Group's portfolio of properties:

| | | Significant unobservable inputs and range of estimates used | | |
|---|---|---|---|---|
| **Description** | **Valuation technique** | **Discount rate (%)** | **Exit capitalisation rate (%)** | **Capitalisation rate (%)** |
| Retail sector | Discounted cash flow model | 12.3 – 17.0 | 6.8 – 11.00 | 6.8 – 11.0 |
| Office sector | | 13.3 – 15.8 | 7.5 – 10.0 | 7.5 – 10.0 |
| Industrial sector | | 13.8 – 19.0 | 8.0 – 13.5 | 8.0 – 13.5 |
| GOZ office | | 6.8 – 10.0 | 6.3 – 11.8 | 6.0 – 11.8 |
| GOZ industrial | | 7.5 – 9.8 | 6.8 – 11.5 | 6.0 – 9.5 |

The estimated fair value would increase/(decrease) if the expected market rental growth was higher/(lower), expected expense growth was lower/(higher), the vacant periods were shorter/(longer), the occupancy rate was higher/(lower), the rent-free periods were shorter/(longer), the discount rate was lower/(higher) and/or the reversionary capitalisation rate was lower/(higher).

**Level 3 instruments** (continued)

***Listed investments***

| Description | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Stenham European Shopping Centre Fund (SESCF) | Valued by discounting future cash flows using the South African swap curve at the dates the cash flows will take place | Not applicable |

***Long-term loans granted***

| Description | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Rabie Property Group (Pty) Ltd | Valued by discounting future cash flows using a floating rate that is applicable to this loan including an estimated counter party credit spread. | Not applicable |
| Acucap Unit Purchase Scheme | Valued by discounting future cash flows using a floating rate that is applicable to this loan including an estimated counter party credit spread. | Not applicable |
| V&A Waterfront | Valued by discounting future cash flows using a floating rate that is applicable to this loan including an estimated counter party credit spread. | Not applicable |
| Roeland Street Investment 2 (Pty) Ltd | Valued by discounting future cash flows using a floating rate that is applicable to this loan including an estimated counter party credit spread. | Not applicable |

***Derivative assets and liabilities***

| Description | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Cross-currency interest rate swaps | Valued by discounting the future cash flows using the basis swap curve of the respective currencies at the dates when the cash will take place. | Credit curve |